ENDOWMENT INVESTMENT REPORT
AS OF DECEMBER 31, 2019

Investment Objectives

Our investment objective is to maximize fund growth while minimizing investment risk, which enables us to optimize dollars available to invest in the community today while maintaining fund values for tomorrow. Our strategic allocation targets long-term annualized investment returns of 7% to 8%. This strategy allows us to spend an average of 5%, in real terms, from each fund annually while maintaining purchasing power over time.

Investment Strategy

The Foundation manages to a total return strategy that includes equities, fixed income, and alternatives. This diversified strategy allows the endowment to participate in the returns of a rising market and provide adequate protection from the downside of a falling market. Our Asset Allocation reflects our long-term vision of the investment landscape and serves as a framework for portfolio construction and measuring performance. Ranges are used around each allocation to provide for flexibility, depending on current market conditions or trends.

Asset Allocation as of 12/31/2019

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Corp Pool Actual</th>
<th>ESG Pool Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>33%</td>
<td>49%</td>
</tr>
<tr>
<td>International Equity</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
<td>—</td>
</tr>
<tr>
<td>Private Equity</td>
<td>4%</td>
<td>—</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>18%</td>
<td>—</td>
</tr>
<tr>
<td>Commodities</td>
<td>2%</td>
<td>—</td>
</tr>
</tbody>
</table>

Investment Performance (Net of fees)

<table>
<thead>
<tr>
<th>Product</th>
<th>Year Ended 12/31/19</th>
<th>3 Years Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCCF Corp Pool</td>
<td>15.7%</td>
<td>7.9%</td>
</tr>
<tr>
<td>LCCF ESG Pool</td>
<td>19.2%</td>
<td>—</td>
</tr>
<tr>
<td>Benchmark</td>
<td>18.4%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Performance and Positioning

Equity markets were strong during the fourth quarter, with all equity indices providing positive returns. Returns were supported by rebounding economic fundamentals and the normalization of the yield curve. Announcement of a Phase 1 trade deal between the U.S. and China along with the cancellation of potential December tariffs provided a tailwind heading into the new year. In light of these positive developments and improved corporate earnings, the global economy should continue the long, slow expansion.

After an attempt at normalizing interest rates over the past few years, the Federal Reserve was driven to cut rates three times in 2019. Multiple central banks have either cut interest rates or pulled back expectations for rate hikes throughout 2019 with the Federal Reserve being no exception. The Federal Reserve and other major central banks have been afforded the opportunity to remain accommodative due to below average inflation. In addition, the Federal Reserve has also guided its interest rate projections for 2020 steadily lower over time, suggesting that “lower for longer” remains the base case going forward.

Given the likelihood of increased market volatility and consistent with our investment philosophy, we continue to diversify the portfolio across asset classes, sectors, and regions and have positioned the portfolio to take advantage of the current environment.
Quick Facts

Lancaster County Foundation was formed as a community trust in 1924. At that time, all gifts were required to be placed in trust. Those trusts were perpetual and still exist today, accounting for about one third of the assets of the Foundation. In 2005, the Lancaster County Community Foundation corporation became operational. As a nonprofit corporation, the Foundation became a more flexible and nimble organization that better serves its donors, beneficiaries and the community. The Foundation accepts gifts of all sizes and types— including donor advised funds, charitable gift annuities, and bequests from donors— Emboldening Extraordinary Community in Lancaster, Forever.

Assets by Type at 12/31/19 (in $Millions)

- Corporate Assets
- Trust Assets

Total $130.1
- $84.8
- $45.3

Investment Committee Members

Joe Byorick, Chair  
*Chief Financial Officer*  
Penn Medicine/Lancaster General Hospital

J. Thomas Dunlevy  
*Executive Vice President, Retired*  
Glenmede Trust

W. John Griffith  
*CFO*  
Retired

Jeffrey R. Guindon, MBA  
*Managing Member/Financial Advisor*  
Carriage Hill Investment Associates LLC

Joseph Hess, CFP  
*Sr. Investment Consultant*  
Vanguard Institutional Advisory Services

Sarah Young Fisher, CFP  
*President Emeritus*  
RKL Wealth Management, LLC

Shane Zimmerman  
*EVP & Treasurer*  
Steinman Communications

Jon Zuo  
*President*  
Advanced Cooling Technologies

Economic Backdrop

A strong U.S. employment market has continued to meaningfully support this record-long economic expansion. The U.S. unemployment rate remained unchanged at 3.5% for December, a multi-decade low. Meanwhile, a monthly reading of the U.S. jobs report showed a healthy expansion of the labor supply, which grew by 209k new workers in December. Household spending power has made gains throughout 2019, supporting the idea that consumers have carried this economic expansion through the back half of last year.

The candidates running for the nation’s top office have different ideas for the private sector. The current administration has enacted policies that have boosted corporate earnings, from tax reform to deregulation efforts. However, some of the Democratic candidates have different proposed policies, including stepped up regulations for banks/tech firms and a potential ban on fracking activity. It remains to be seen how this will shape out in the months to come, however, the market will most likely begin to anticipate potential changes in policy.

Geopolitical risks periodically appear in the headlines. These themes can contribute to short/intermediate-term volatility in markets, but ultimately it is the underlying fundamental trends that determine the direction of risk assets over the long-term.

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Performance data is based on past performance and is no guarantee of future results. All data is unaudited. Lancaster County Community Foundation is not an investment advisor or broker. It solely invests money legally owned and controlled by it in its corporate capacity.